

PROJECT OVERSIGHT REPORT

Insurance System Replacement Project (ISRP)
Health Care Authority

Report as of Date:
September 2002

Project Director: Christine Spaulding
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Executive Sponsor: Tom Neitzel

Description: The Health Care Authority (HCA) received ISB approval and legislative funding to replace its two separate systems that support the Public Employee Benefit Board (PEBB) and Basic Health (BH) insurance lines of business with a single vendor-supplied system. The PEBB system was developed and is operated by the Department of Personnel (DOP); the BH system was developed and is maintained by HCA staff. The goal of this project is to provide a single health insurance system to support both PEBB and Basic Health insurance lines of business, provide technology to improve the use of information, and reduce the overall cost of processing.

HCA anticipates that the new insurance system will improve customer service by providing more accurate and timely resolution to customer inquiries, and by improving business processes and workflows. The new system will allow customers and providers the ability to perform several functions over the Internet such as: applying for insurance; updating personal information; paying premiums; and checking eligibility. It will also position the agency to comply with the federal Health Insurance Portability and Accounting Act (HIPAA) of 1996.

In addition to the intangible benefits of improved customer service, this initiative is anticipated to provide over \$1.5 million in annual benefits primarily from reduction in operational costs. The project has a five-year payback period.

The contract was awarded to Healthaxis Inc. in the amount of \$3.036 million and work began June 3, 2002. KPMG has been engaged as the external Quality Assurance (QA) vendor.

The major project phases are:

- Phase I – Requirements definition, system architecture selection.
- Phase II – Detailed application design requirements, data migration, development, test.
- Phase III – Testing, training, implementation.

Although not technically a phase of the development portion of the project, a parallel activity is the decommissioning of the insurance functions of the PEBB system at DOP.

Technology: The new system will make use of Sun servers running UNIX and Oracle database products. The applications will be written using Visual Basic.

Life Cycle Stage: Phase I – Requirements Definitions and System Architecture Selection

Budget: The budget is \$4.99 million for the entire project, including decommissioning. Of this amount, \$4.4015 million is for purchase, tailoring, implementation and training for the new system; and \$975,000 is for the system decommissioning at the Department of Personnel (DOP). As of August 31, 2002 the budgeted expenses were \$1.552 million. Actual expenses were \$826,653. The reason for the variance is that HCA had allotted \$1.5 million in July for hardware and software acquisitions. These were postponed in order to further refine the required configurations. This delay does not affect the product schedule.

Schedule:

<i>Deliverable</i>	<i>Payment Schedule</i>	<i>Delivery Schedule</i>	<i>Status</i>
Phase I:			
Contract signed		May '02	Completed - on time
Begin contractor work on analysis & planning		June '02	Completed - on time
Complete business & technical analyses	\$375,000	Sept '02	On schedule
Phase II			
Begin design, development, system testing		July '02	High level design started on schedule
Complete design, development, system testing	\$1,504,849	Mar '03	
Phase III			
Begin User Acceptance Test		Mar '03	
Complete User Acceptance Test		May '03	
Begin User Training		Mar '03	
System implemented and in production	\$804,690	June 30, 2003	
Subtotal:	\$2,684,539		
Withhold	\$441,091	December 30, 2003 (Acceptance + 120 days)	
TOTAL:	\$3,125,630		

Status: HCA and Healthaxis completed requirements definitions and are reviewing final requirements documentation. They have also completed detailed reviews of the external interface requirements with payroll systems, the Department of Retirement Systems (DRS), the state accounting system (AFRS), insurance carriers, and other interfaces. The project is implementing its approved Communications Plan and has established the external Executive Stakeholder Advisory Committee. Detailed planning for design, development, and testing is being refined based on the business and technical analysis phase. KPMG has interviewed project participants and stakeholders and is preparing the first risk assessment.

Issues:

- The RFP was awarded to Healthaxis based on an evaluation of the functionality of its then current commercial off-the-shelf (COTS) system. As part of its bid response, Healthaxis proposed porting the system from a Unidata environment (previously known as Revelation)

to web-based technology with a relational database; the result would be a new COTS system to replace the original.

- As of mid-September Healthaxis documentation of HCA's requirements had not been finalized. HCA's deadline for implementation is June 30, 2003. Based on the Phase III schedule listed above, this leaves approximately six months for HCA and Healthaxis to have a system ready for testing and training.
- HCA and DOP are finalizing the plan to decommission the PEBB system. HCA must continue to focus on the June 30, 2003 target date for moving off the DOP system, otherwise it could negatively impact DOP's efforts with respect to its Civil Service Reform / Collective Bargaining (CSR/CB) project.
- As of mid-September, the external quality assurance vendor (KPMG) is finalizing the initial risk assessment. This assessment was intended to be the basis for the risk mitigation plan for Phases II and III. However, if there are numerous significant issues, there may not be time to mitigate all the risks and still put the system into full production by the target date.

Recommendation: DIS recommends that HCA and Healthaxis immediately establish weekly executive-to-executive briefings to review the status of the project activities. DIS also recommends that HCA review the project timelines and progress not later than September 30, 2002 to determine if the system can be implemented by the intended June 30, 2003 target date. Contingent on the results of HCA's decision, DIS recommends that HCA plan to brief the ISB on the status of the project at the December 12th meeting.